

African Bank Limited press release

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Don't forget about tax-free investments

As South Africans await eagerly for this year's budget speech, tax-free investments are once again in the spotlight. Last year the limit on tax-free investments was raised from R30 000 per tax year to R33 000 for all money-savvy South Africans.

Mellony Ramalho, African Bank's Group Executive: Sales, Branch Network, says these accounts continue to be so popular because when one invests in a tax-free investment account one does not have to pay income tax, dividends tax or capital gains tax on the returns from these investments.

"Every institution has their own rules in terms of how this investment needs to be made so you will need to check with your bank. At African Bank for example you only need a minimum opening deposit of R500.00. You can then build on your initial deposit by making as many additional contributions as you like. The maximum investment however across all institutions is R33 000.00 per tax year with a lifetime maximum of R500 000.00," says Ramalho.

Here are a couple of points worth noting:

- How many tax-free investment accounts can I have: You can have multiple tax-free accounts as long as your contributions don't exceed R33 000 in the tax year. Be aware some institutions may limit you to one tax-free investment account per institution. If you don't invest the maximum amount for that year, any portion of your unused annual limit will be forfeited and cannot be carried over.
- No withdrawals: Remember this is not a transactional account and no debit or stop orders and ATM transactions will be possible from these accounts.
- What if I don't invest the maximum amount? Any portion of unused annual limit is forfeited.... in other words, it is not carried forward to the new tax year. Here is an example: Tax payer X invests R28 000 in year 1. The unused portion of R5 000 is not rolled-over to year 2. In year 2, the tax payer can only invest R33 000 as per the annual limits.
- What if I exceed the limit? If a person exceeds the limits, there is a maximum penalty of 40% on the excess amount invested above the R33 000.
- Can I open an account for a minor? Absolutely. Parents can invest on behalf of their minor child. The minor child will use his/her own annual or lifetime limits.

- What happens when I die? You may nominate one or more beneficiaries. When you pass away, your investment can be paid to your beneficiaries immediately and there are no executor fees. The value of the investment will however be included in the estate for the calculation of estate duty.

Remember that access to your investment will depend on the institution/s you select so you need to check what the withdrawal options are at each. You will also need to check if there is a fixed term for your investment and what will happen if interest rates fall? Ideally you want to be protected and not lose interest.

“A Tax-Free Investment account is such a good way of saving money without ever having to worry about your returns being taxed. It is an ideal product to consider particularly if you are saving towards goals related to children and for retirement-conscious individuals who want to minimise tax implications. If you already have a tax-free account remember you can once again deposit the full annual tax free savings amount tax free again this year,” she concludes.

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